

# STATE SCHOOL AID UPDATE

Michigan Department of Education



June 2006

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## JUNE PAYMENT INFORMATION

The June state school aid payment is the 9<sup>th</sup> payment of the year and reflects a cumulative 81.81% of the year's allocations for Sections 22a, 51c, and 22b as well as for most categoricals. Prior year adjustments are made at 100% in a single payment. Generally, information needed to calculate a payment or to update a categorical amount that is received in the Office of State Aid and School Finance by the 1<sup>st</sup> of a given month will be used in the following month's state school aid payment. Therefore, information and data that were received in the Office by June 1, 2006 are reflected in the June payment calculations. The June payment will post in the school districts' accounts on Tuesday, June 20, 2006.

## SECOND INSTALLMENT OF TAX INCREMENT FINANCING AUDIT DEDUCTS

A number of districts were affected in fiscal year 2004-2005 by Michigan Department of Treasury audits that led to the correction of taxable values related to tax increment financing plans. In some cases these corrections resulted in state aid reductions to districts that had been overpaid based on the value of the plan reported by the county treasurer prior to the audit. Some districts documented a hardship per the language in Section 15 of the State School Aid Act and were granted an additional year(s) to repay the funds. The first installment of these reductions was reflected in the June 2005 state school aid payment. The second installment is reflected in the June 2006 payment. Because these adjustments are made by simply correcting the taxable value of the district for the tax year(s) involved, the state school aid adjustment is labeled "22a XXXX Proposal A Obligation" on the state aid status report where XXXX represents the applicable fiscal year. Questions related to these reductions should be directed to Phil Boone, Office of State Aid and School Finance, (517) 335-4059 or [BooneP2@Michigan.gov](mailto:BooneP2@Michigan.gov).

## FY 2007 SCHOOL AID

House Bill 5789 (HB 5789) was passed by the full House on May 24, 2006. HB 5789 would amend school aid for fiscal year 2007. The following are some key points on HB 5789 with comparison to the Governor's Executive Recommendation for FY 2007 and the Senate version (SB 1095) of school aid for FY 2007.

- The minimum foundation grant in FY 2007 would be \$7,105 under the House substitute, an increase of \$230 above the current FY 2006 minimum foundation grant of \$6,875. The Governor recommended a \$200 increase to (\$7,100).
- The executive recommendation for FY 2007 would allocate \$50 million in a new Section 29 for districts with **declining enrollment**. The Senate substitute includes this item with a \$100 placeholder only, but recommends extra funding (up to \$60 per pupil) for districts with the lowest foundation grants in order to **reduce the per pupil funding gap**. The House substitute does not include the placeholder for the declining enrollment funds, but does include extra funding (up to \$35 per pupil) for districts with a House-proposed FY 2007 foundation grant below \$7,480.
- Under the House substitute, **At-Risk pupil funding** (Section 31a) would increase by \$6.2 million to \$320.4 million to cover the state share of **health and vision screenings** (\$5.2 million) and increase (by \$1 million) the amount of funding earmarked for **school-based health clinics**. The executive recommendation does not include the additional \$1 million for school-based health clinics while the Senate substitute added an additional \$2 million for that purpose.
- **Michigan School Readiness** funding (Section 32d) would remain at the FY 2006 level of \$72.8 million under the House plan. It would increase by \$7.2 million to \$80 million and the per child amount would increase from \$3,300 to \$3,400 under the Senate substitute. The executive recommendation would increase this funding by \$28.8 million with no change in the per child amount.
- The House substitute includes a new Section 99c, **Engineering Michigan's Future**, that would provide \$80 for pupils in grades 6, 7, and 8 for a **middle school math initiative**. Neither the executive recommendation or the Senate substitute include this section. HB 5789 does not include the executive recommendation for a new Section 35 that would allocate \$15 million for competitive grants to districts for the purpose of implementing, expanding or enhancing **after school programs in middle schools designed to improve math, science and technology skills** and to prepare pupils for a more rigorous high school curriculum. The Senate substitute includes this item with a \$100 placeholder only. HB 5789 does not include the executive recommendation for a new Section 34 that

would allocate \$10 million for competitive grants to districts for **mathematics and reading programs for pupils in grades K-3**. The Senate substitute includes this item with a \$100 placeholder only.

- The House would add \$200,000 to the Senate proposal for a new Section 11m that would allocate \$3.5 million to reimburse districts and intermediate districts for the cost of **refingerprinting** staff. The additional funds would be to provide reimbursement for non-public school employee fingerprinting.

The summary provided above should not be considered a complete description of the content of the executive proposal, the Senate substitute, or the House substitute. Also, please be advised that changes are likely as the budget makes its way through the legislative process. Additional information and details on these proposals can be found at [www.Michigan.gov/budget](http://www.Michigan.gov/budget), and/or [www.senate.Michigan.gov](http://www.senate.Michigan.gov) and/or [www.house.Michigan.gov](http://www.house.Michigan.gov).

#### **MAY 2006 REVENUE ESTIMATING CONFERENCE**

As mentioned in the May UPDATE, leaders from the House and Senate Fiscal Agencies and the State Treasurer met on May 17, 2006 for the May 2006 Revenue Estimating Conference. Based on data agreed to at that conference, it is estimated that the school aid fund revenues for FY 2006 will come in approximately \$32.9 million less than what was agreed to at the January 2006 conference. However, the general fund revenues are projected to be \$73.9 million higher than projected in January. Although the projected FY 2006 school aid fund revenues have been adjusted downward by the \$32.9 million, the projected school aid fund revenue for FY 2006 still represents a 2.64% increase over the actual FY 2005 school aid fund revenue. The May 2006 conference also confirmed that the school aid fund revenues projected for FY 2007 are approximately \$38.7 million less than what was agreed to in January 2006. Even with the \$38.7 million downward adjustment, the projected FY 2007 school aid fund revenues represent a 3.17% increase from the projected FY 2006 school aid fund revenues. (See the February UPDATE for a discussion of the executive recommendation and the April UPDATE for a discussion of SB 1095.) The projected statewide pupil count for FY 2007 is 1,690,500 (FTE), approximately 7,000 less than FY 2006.

#### **FORM DS-4168, REPORT OF DAYS AND CLOCK HOURS OF INSTRUCTION**

The instructions and forms to report the number of days and clock hours of instruction provided during the FY 2006 school year are available on the Department's website. Two copies of the completed form(s) are to be forwarded to the respective Intermediate School District (ISD) by July 18; the ISD will forward one copy of the districts' forms to the Department by August 1. To access the forms at [www.Michigan.gov/mde](http://www.Michigan.gov/mde) click on "Administrators" then "Reporting Forms to MDE" then "State School Aid and Finance Forms." Completion and submission of the DS-4168 with an indication that professional development (PD) time was counted as instructional time will serve as the required notice to the Department that the district has counted PD time as instructional time as allowed under Section 101(11) of the State School Aid Act. With questions related to the DS-4168 contact Joellen Wonsey, State Aid and School Finance, (517) 373-3352, or e-mail: [WonseyJ@Michigan.gov](mailto:WonseyJ@Michigan.gov).

#### **SECTION 31A AT-RISK PROGRAM REPORTS DUE JULY 14, 2006**

Local districts and public school academies receiving FY 2006 funds under Section 31a At-Risk are required to submit the FY 2006 Section 31a Program Report to the Department by July 14, 2006. The report form is available in the Michigan Electronic Grants System (MEGS) at <http://megs.mde.state.mi.us/megs/>. If the report is not submitted by July 14, an amount equal to the district's Section 31a August installment will be withheld from the August 2006 state aid payment as required by Section 31a of the State School Aid Act. These funds will be forfeited if the report is not received by September 30, 2006. Contact Judy Thelen, Office of School Improvement, Field Services Unit, at (517) 335-1266 or [ThelenJA@Michigan.gov](mailto:ThelenJA@Michigan.gov).

#### **GENERAL INFORMATION**

- **Proration factors:** Section 31a – At-Risk funding is \$173.3882878984 per pupil.
- The **Bulletins 1011 and 1014** reflecting local school district **2004-2005** financial information are now available on the MDE website at [www.Michigan.gov](http://www.Michigan.gov). Click on "Programs and Offices", then "State Aid and School Finance" then look under "Publications and Reports." With questions related to the bulletins contact Glenda Rader, State Aid and School Finance, (517) 335-0524, or e-mail: [RaderG@Michigan.gov](mailto:RaderG@Michigan.gov).

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\*Do you have questions about the information appearing in this UPDATE? Call the consultants identified above or **Dan Hanrahan, Director, State Aid and School Finance, MDE**, phone: (517) 335-0521, fax: (517) 241-0196, e-mail: [HanrahanD@Michigan.gov](mailto:HanrahanD@Michigan.gov).

